

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2010-181-E – ORDER NO. 2011-____
August __, 2011

RE:)	JOINT PROPOSED ORDER
Application of Lockhart Power Company)	APPROVING SETTLEMENT
for Adjustment of Rates and Charges)	AGREEMENT AND INCREASE
)	IN ELECTRIC RATES AND
)	CHARGES

This matter is before the Public Service Commission of South Carolina (“Commission”) on the Application of Lockhart Power Company (“Lockhart” or “the Company”) filed February 14, 2011 for adjustments in the Company’s electric rate schedules and tariffs. The Application was filed pursuant to S.C. Code Ann. § 58-27-860 (Supp. 2010) and 26 S.C. Code Ann. Regs. 103-823 (Supp. 2010). Along with its Application, the Company also filed the direct testimony and exhibits of four witnesses: Bryan D. Stone, Chief Operating Officer of Lockhart Power Company; Paul W. Inman, Business Controller of Lockhart Power Company; Charles R. Parmelee, Consultant and Principal of Parmelee & Associates; and Paul R. Moul, Managing Consultant of P. Moul and Associates.

The Company’s electric rates and tariffs were last approved by the Commission in Docket No. 2007-33-E, Order No. 2007-474 issued on July 19, 2007 wherein the Commission ordered an increase in annual revenues of \$484,291 for the Company based on a 12.0% return on common equity (“ROE”). The rates and charges requested in the Company’s Application in the

present docket would produce a net increase in annual revenues of \$337,676 calculated on a 12.50% ROE.

In its Application, the Company proposes to revise its Schedule O during the first month in which the proposed rates are in effect since the tariff no longer solely addresses purchased power. In addition to purchased power costs, Schedule O would be revised to also incorporate costs related to fuel and credits for off-system sales associated with Lockhart's Wellford landfill gas generator and any other future PSC-approved generation projects. Lockhart therefore requests that Schedule O be renamed from the *Purchased Power Adjustment Clause* to the *Power Adjustment Clause*. Lockhart also requests Commission approval for recovery of costs related to the Company's purchase of the City of Union diesel generators and the Company's newly constructed Wellford Landfill Gas generation facility.

On February 25, 2011, the Commission's Docketing Department instructed the Company to publish a Notice of Filing and Hearing in newspapers of general circulation in the area affected by the Company's Application by March 4, 2011. On March 4, 2011, the Commission issued a Revised Transmittal Letter changing the date by which the Company was required to publish the Notice of Filing and Hearing to March 14, 2011. The Notice of Filing and Hearing indicated the nature of the Company's Application and advised all interested Parties desiring participation in the scheduled proceeding of the manner and time in which to file appropriate pleadings. The Company was also required to notify directly all customers affected by the proposed rates and tariffs. On April 1, 2011, the Company filed with the Commission affidavits demonstrating that the Notice was duly published in accordance with the Docketing Department's revised instructions and certified that a copy of the Notice was mailed to each affected customer.

In response to Lockhart's Application, the South Carolina Office of Regulatory Staff ("ORS") conducted on-site investigations of the Company's facilities and examined its books and records relative to the matters raised in the Company's Application. ORS's findings were compiled in the testimony and exhibits of ORS witnesses.

A public night hearing was held in this matter on May 31, 2011 at 6:00 pm at the Union City Hall, located at 101 Sharpe Avenue, Union, South Carolina to afford the customers of the Company's system the opportunity to testify before the Commission regarding Lockhart's Application. Three customers of the system testified. One of the public witnesses, Mr. Roy Glass, provided copies of several months' bills from Lockhart for the previous winter and these were admitted into the record of this case as composite Hearing Exhibit 1.

On June 3, 2011, ORS informed the Commission that the Parties had entered into a comprehensive Settlement Agreement ("Settlement") and filed the direct testimony and exhibits of three witnesses: Sharon G. Scott, Audit Senior Manager for Rate Cases; M. Anthony James, Associate Program Manager in the Electric Department; and Leigh C. Ford, Senior Electric Specialist in the Electric Department. The Settlement, along with the Settlement Testimony of ORS witness Leigh C. Ford, was filed with the Commission on June 17, 2011. The Settlement, along with its Attachments A through D, are attached hereto as Attachment 1 and incorporated herein by reference.

The Commission held a settlement hearing on this matter on June 27, 2011 with the Honorable John E. "Butch" Howard, Chairman, presiding. ORS was automatically a party to this matter pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2010) and was represented by Jeffrey M. Nelson, Esquire and Courtney D. Edwards, Esquire. Lockhart was represented by M. John Bowen, Jr., Esquire. Collectively, ORS and Lockhart are referred to as "the Parties" or

individually as a “Party.” The Settlement, with Attachments A through D, was accepted into the record as composite Hearing Exhibit 2. Hearing Exhibit 3 consisted of the exhibits attached to the Pre-filed Direct Testimony of Lockhart Witness Paul R. Moul, whose pre-filed Direct testimony was accepted into the record without appearance. Hearing Exhibit 4 was a letter from Paul Inman to John Bowen regarding Public Witness Roy Glass’ billing concerns. Hearing Exhibit 5 consisted of the Application of Lockhart and all exhibits to that Application. In addition to the testimony of Paul Moul, the Direct pre-filed testimony of Lockhart witnesses Bryan D. Stone, Charles R. Parmelee, and Paul W. Inman were stipulated to and accepted into the record without cross-examination by ORS.

Lockhart witnesses Stone, Parmelee and Inman, as well as ORS witnesses Sharon G. Scott, M. Anthony James, and Leigh C. Ford appeared before the Commission to provide summaries of their pre-filed direct testimonies, which were accepted into the record of this case, and were examined by the Commission. Lockhart witness Stone testified as to Lockhart operations, the purchase of the City of Union diesel units, the purchase and development of the Wellford Landfill Gas generation facility and associated rate treatment as well as the reasons for the rate adjustment. Lockhart witness Parmelee’s testimony discussed cost of service, rate schedules and the revenue requirements for each class of customer and Lockhart witness Inman testified regarding the accounting and pro forma adjustments made to the test year in Lockhart’s Application. ORS witness Scott testified as to the findings and recommendations resulting from ORS’ examination of the application. ORS witness James testified as to ORS’s examination of Lockhart’s cost of service studies and rate design. ORS witness Ford testified regarding the ORS Electric Department’s examination of the inclusion of additional generating facilities and certain pro forma adjustments in Lockhart’s Application. ORS witness Ford additionally provided

Settlement testimony to explain and provide support for the Settlement and to affirm ORS' belief that its terms and conditions are in the public interest.

The Parties represented to the Commission that they had engaged in discussions on the issues of this case and that following the discussions, Lockhart determined that its interests, and ORS determined that the public interest, would be best served by stipulating to a comprehensive settlement of all issues pending in this matter. The testimony demonstrated that pursuant to the Settlement, the Parties stipulated to an increase of the Company's net revenues in the amount of \$287,959 and a ROE of 12.00%. The Parties also agreed to the accounting exhibits attached as Attachment A to the Settlement as setting forth the Company's operating expenses, pro forma adjustments, depreciation rates, rate base, revenue requirement and rate of return on rate base. Attachments B and C to the Settlement provide a comparison of the rate revenues, by class, per the Application and per ORS' adjustments as agreed to by the Parties. Attachment D to the Settlement contains revised language of Schedule O as agreed to by the Parties.

After having considered the pre-filed testimony of the witnesses and based on the Commission's review of the Settlement and exhibits, and the testimony and exhibits submitted during the hearing, the Commission adopts the Settlement as a comprehensive settlement on all issues, terms and provisions as just and reasonable and finds that it is in the public interest. The terms and conditions include: the ORS accounting adjustments as delineated in Attachment A to the Settlement, an increase of the Company's net revenues in the amount of \$287,959 and a ROE of 12.00% as shown in Attachment B to the Settlement, approval and inclusion of the purchase of the City of Union diesel generators and the Wellford Landfill Gas generation facility, an increase in the Basic Facilities Charge for residential customers from \$6.50 to \$7.00, an adjustment in rates based on the class revenue allocations as shown in Attachment C to the

Settlement, and the revisions to Schedule O of Lockhart's tariff as shown in Settlement Attachment D.

IT IS THEREFORE ORDERED THAT:

1. The Settlement entered into by all Parties to this Docket, and attached hereto as Order Exhibit No. 1, is incorporated herein and is adopted and approved as just and reasonable.
2. Lockhart shall implement the rates, charges, terms and conditions referenced in or based on the revenues by rate class provided in the Settlement for service rendered on and after the effective date of this Order.
3. The Parties shall abide by all terms of the Settlement.
4. The purchase of the City of Union diesel generators and the purchase and development of the Wellford Landfill Gas generation facility and their associated requested rate treatments are approved as just and reasonable.
5. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

John E. "Butch" Howard, Chairman

ATTEST:

David A. Wright, Vice Chairman
(SEAL)